

RUSSIAN FOREIGN TRADE IN MAY 2015

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In May 2015, downward trend of the main Russian foreign trade indices persisted. In spite of the promises given by the G-20 member states not to introduce new protectionist measures in the sphere of trade, the overall number of trade restrictions goes up. The WTO department of dispute settlement decided to create a dispute settlement panel which will deal with the dispute filed by the Russian Federation against the European Union regarding the EU's Third Energy Package.

Russian foreign trade turnover calculated on the balance of payments methodology constituted \$46.5bn in May 2015 down 33.7% against the same indicator of May 2014. Exports volume contracted 29.8% down to \$30.9bn and imports – 40.3% down to \$15.6bn. The trade balance surplus went down by 14.9% to \$15.3bn in May 2015 against the same month 2014.

Contraction of the exports value reported in May 2015 was due to the fall of the average export prices which were partially compensated by the growth of the volume of exports: Russian merchandise exports volume index constituted 101.6% and average export price index – 69.3% in May 2015 against May 2014.

Merchandise imports contracted due to a decline both of volumes and the average contract prices: in May 2015, imports volume index constituted 66.3%, and average merchandise import price index came to 88.7% against May 2014.

In May 2015, terms of trade deteriorated: 'terms of trade' index¹ of Russia with foreign countries in May 2014 constituted 98, and in May 2015 declined to 78.2.

In May 2015, prices of raw materials were maintained by weakening US dollar (specially, in the first half of the month) against major European currencies.

In May 2015, the price of Brent crude reached maximum level for 2015: on 13 May 2015, it went up to \$66.33 per barrel which was determined by a decline of the US oil stocks and geopolitical instability in the Middle East. Average monthly price of Brent crude constituted \$64.56 per barrel in May 2015 up 8.7% against April 2015 but down 41.1% against May 2014.

At the OPEC meeting held on 5 June 2015, it was resolved to maintain the 30mb/d ceiling. However, the real production surpasses this ceiling. In May 2015, average daily production by the cartel member states reached two-year maximum of 31.22 mb/d.

In June 2015, the World Bank released a report 'Global Economic Prospects' where downgraded growth of world economy to 2.8% slightly less than

3% forecast in January report. Economic slowdown in China, the largest oil importer in the world, leads to a decline in oil demand: in May 2015, China cut oil export by 25% against April 2015 and reduced import of oil products by 6%.

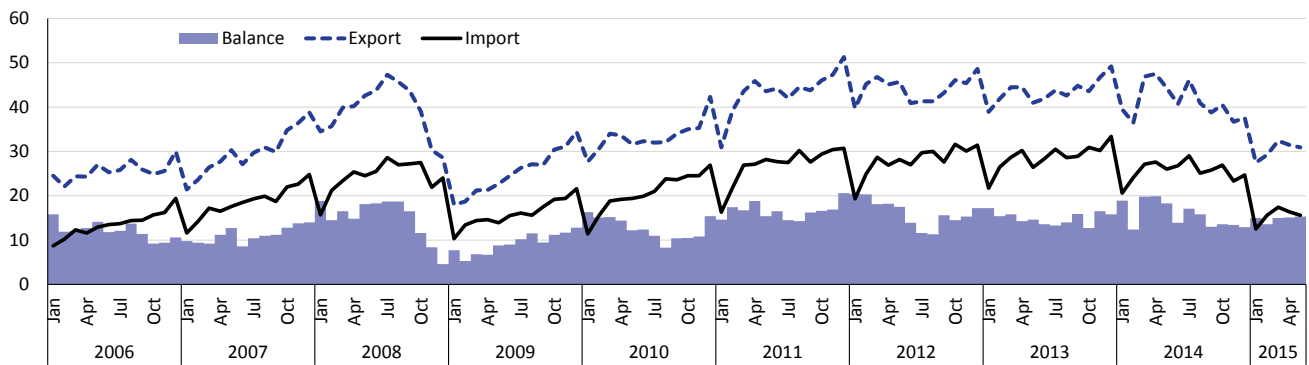
Due to the effect of all above mentioned factors, in June–July 2015 downward trend in the oil prices resumed.

In May 2015, the price of Urals crude went up by 7.7% against April 2015 and constituted \$63.7 per barrel. Against May 2014, it fell by 40.9%. Over five months of 2015, the price of Urals crude fell in comparison with the corresponding period of the previous year by 47.6% down to \$56.1 per barrel.

Average price of crude for the period of oil price monitoring from 15 June to 14 July 2015 constituted \$58.9 per barrel or \$430 per ton. Thus, export oil duty in the RF from 1 August 2015 will drop by 7% and will come to \$133.1 per ton against \$143.1 per ton in July 2015. Concessionary duty rate on crude produced in Eastern Siberia, Caspian oil fields and Prirazlomnoye oil deposit due to new formula of calculation adopted within the tax maneuver in the oil sector will remain at the zero level as in July 2015. Concessionary export duty on very heavy oil in August 2015 will be at \$17 per ton against \$18.3 per ton in June 2015. Duty on naphtha (straight-run petrol) will constitute \$113.1 per ton, on commercial petrol – \$103.8 per ton, on light oil products and lubricants – \$63.8 per ton and dark oil products (minus lubricants and petroleum coke) – \$101.1 per ton, on petroleum coke – \$8.6 per ton. At the same time, duty on liquefied petroleum gas will be zero.

According to the London Metal Exchange data, in May 2015, aluminum went down by 0.8%, nickel and copper went up by 5.3% and 4.2%, respectively against the previous month. In comparison with May 2014, the price of aluminum up 3.0%, price of copper down 8.7% and price of nickel down 30.4%. In January–May 2015, copper and nickel soled at 13.9% less and alu-

¹ Ratio of the average export price index to average import price index.



Source: the CBR

Fig. 1. Main Indices of Russian Foreign Trade (\$ bn)

minimum at 3.9% more against the corresponding period of the previous year.

In May 2015, the FAO Food Price Index fell to 166.8 points which is the lowest level since September 2009. Meanwhile, over the last year (by May 2014) prices of food products declined by 20.7% or by 43.6 points. By April 2015, prices fell by 1.4% (2.4 points). According to the FAO data, pressure on prices was exerted by strengthening dollar, cheap oil as well as overproduction. According to the FAO data, May decline of the overall index was due to the decline of price index on cereals by 3.8% compared with April, decline of price index on dairy products by 2.9% and decline of price index on meat by 1%.

In January–May 2015, Russian exports and imports turnover constituted, according to the data released by the Bank of Russia, \$229.7bn which is down 32.6% against the same indicator of 2014. Merchandise exports constituted \$152.2 bn down 29.1% against January–May 2014. Merchandise imports came to \$77.5bn down 38.5% against the corresponding indicator of the previous year. Surplus balance of the RF exports and imports contracted 15.8% down to the level of \$74.8bn in January–May 2015. Exports and imports difference coefficient (ratio of balance to foreign trade turnover) up from 26.1% in January–May 2014 to 32.6% in January–May 2015.

Contraction of exports price volumes affected practically all extended merchandise nomenclature except “machines, equipment and means of transport”. Exports of this group of merchandise up 1.9%, whereas manufacture of machines and equipment in Russia constituted 86.8% in January–May 2015 against January–May 2014. Exports of “other merchandise” up 12.5% most likely due to exports of military hardware. The share of Russian military hardware constitutes 27% on the global market. According to the Rosoboronexport statistics, in 2014, the company exported military hardware for the amount of \$13.2bn.

Rosoboronexport’s portfolio of defense orders exceeded \$40bn¹.

Contraction of the total export values was mainly determined by the decline of contract (export) prices but partly was compensated by an increase of export volumes. According to data released by FCS, in January–May 2015, export of crude constituted 101.1 million tons including to the countries of far abroad – 91.7 million tons up 10.8% against the same indicator of 2014. Growth of export volumes resulted from a decline of crude intake by Russian oil refineries and attraction of oil exports due to tax maneuver. Crude volumes exported to the CIS member states down 6.5% and constituted 9.5 million tons due to a halt of deliveries to the Republic of Kazakhstan in compliance with intergovernmental agreement.

Petroleum products export volumes up 16.4%, liquefied natural gas up 18.4%, potassium fertilizers up 43.6%, lumber up 7%, wood pulp up 10.3%, aluminum up 26%, and copper up threefold.

Regarding Russian imports, decline of supplied was observed across all extended merchandise nomenclature. Most noticeably fell imports of machinery, equipment and means of transport: in comparison with the corresponding period of 2014, it constituted solely 56.7%. Imports of food products and agricultural raw materials declined by 39.1%, chemical industry products down 28.2%, textile, textile products and footwear down 34.5% and metals and metal products down 40.1%.

The share of European Union continues to shrink in geographical structure of Russian foreign trade: in January–May 2013, it constituted 50.2%, in January–May 2014, it constituted 49.6% and in January–May 2015, it constituted 45.9%.

The WTO’s thirteenth trade monitoring report on G-20 trade measures, issued on 15 June 2015, shows a slight deceleration in the application of new trade-restrictive measures by G-20 economies in the period

1 http://www.roe.ru/rus_pr/rus_pr_15_04_13_a.html

AVERAGE MONTHLY WORLD PRICES IN MAY OF THE CORRESPONDING YEAR

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brent, USD/bbl	37.9	47.8	68.68	67.64	119.4	58.63	76.99	114.5	110.5	103.03	109.68	64.56
Natural gas*, USD/1 mn. BTU	3.95	5.89	8.28	7.98	12.38	8.09	7.27	10.3	11.64	12.29	10.2	7.27
Copper, USD/t	2720.0	3254.0	8022.0	7682.2	83825	4568.6	6837.7	8927.05	7955.64	7249.4	6891.1	6294.8
Aluminum, USD/t	1615.7	1746.0	2852.0	2797.4	2902.9	1460.5	2040.53	2592.18	2007.63	1832.02	1751.1	1804.04
Nickel, USD/t	11068	16930.0	21038	52179.1	25735	12635	22008.2	24210	17068.2	14948	19401	13511

* European market, average contract price, franco border.

Source: World Bank.

from October 2014 to May 2015. As of mid-October 2010 overall number of trade restrictions constituted 381. However, as of mid-2015 overall number of trade restrictions went up several times reaching 1,360. That is why, despite the promises of G-20 member states not to introduce new protectionist measures, total number of trade restrictions continues growing.

Over the period from October 2012 to April 2013, Russia did not initiate a single new anti-dumping case (over this period, 88 new anti-dumping cases were initiated by G-20). From October 2013 to April 2014, four such cases were initiated (in G-20 – 118), from October 2014 to April 2015 two new cases followed (in G-20 – 115). India and Brazil were leaders initiating 15 and 18 cases, respectively from October 2012 to April 2013, 15 and 35 initiations from October 2013 to April 2014, and 28 and 10 initiations from October 2014 to April 2015.

The Dispute Settlement Body of the WTO established a panel on 20 July 2015 to examine dispute filed by Russia against the European Union.¹

Russia filed a dispute to the WTO in April 2014 to examine the EU's "Third Energy Package" in compliance with which owners of the pipelines in the EU can not be companies producing natural gas. These

companies should either sell their assets in the EU or transfer gas pipeline transport services to independent companies from the EU. According to Russia, this contradicts the EU obligations in the WTO regarding main requirements of non-discrimination and access to the market.

Overall, Russia filed three disputes against the EU to the WTO. In December 2013, the first dispute was filed regarding "Energy corrections" adopted by the EU in anti-dumping investigations regarding Russian exports. The Second dispute touches on provisions of the Third Energy Package dated April 2014. The third dispute regarding issues of the implementation of anti-dumping measures related to Russian ammonium nitrate and steel was filed in May 2015.

In its turn, the European Union filed to the WTO four disputes against the Russian Federation. First examination regarding the Russian decision to introduce car recycling tax on automobiles of foreign manufacture was initiated in 2013. In April 2014, the European Union filed a dispute against Russia regarding a ban on pork supplies from Europe. The third dispute touched Russian anti-dumping import customs duties on light commercial automobiles from Germany and Italy. The fourth dispute filed in October 2014 related to the EU's objections to the volume of the Russian duties on imports of paper, refrigerators and palm oil.

1 https://www.wto.org/english/news_e/news15_e/dsb_20jul15_e.htm